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# THE *Demand and Price* SITUATION

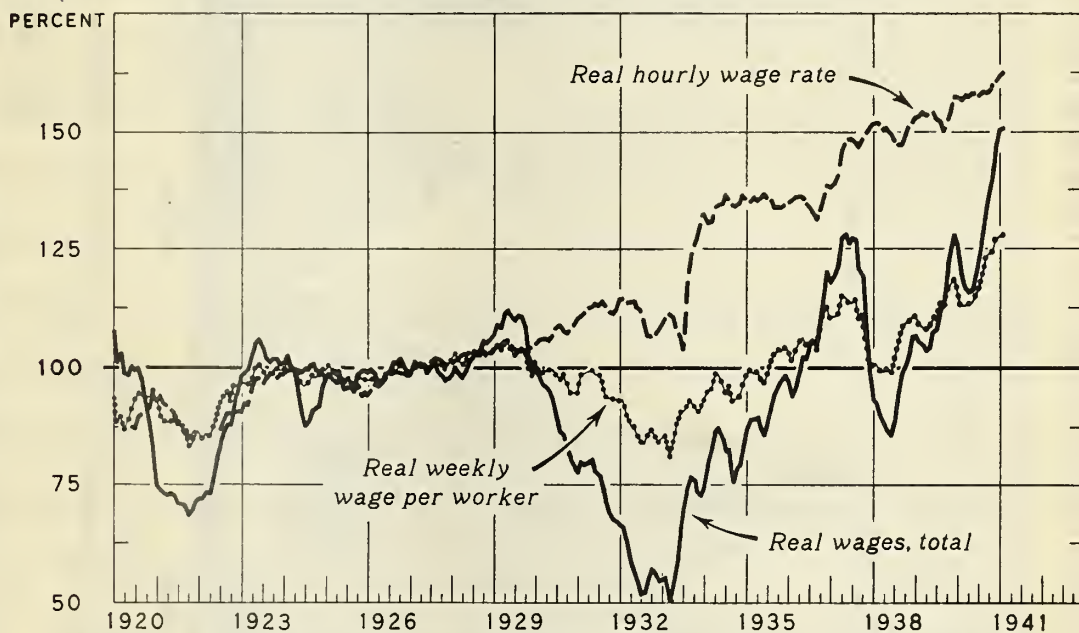
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

BAE

APRIL 1941

## BUYING POWER OF FACTORY WAGES, UNITED STATES, 1920-41\* INDEX NUMBERS (1924-29=100)



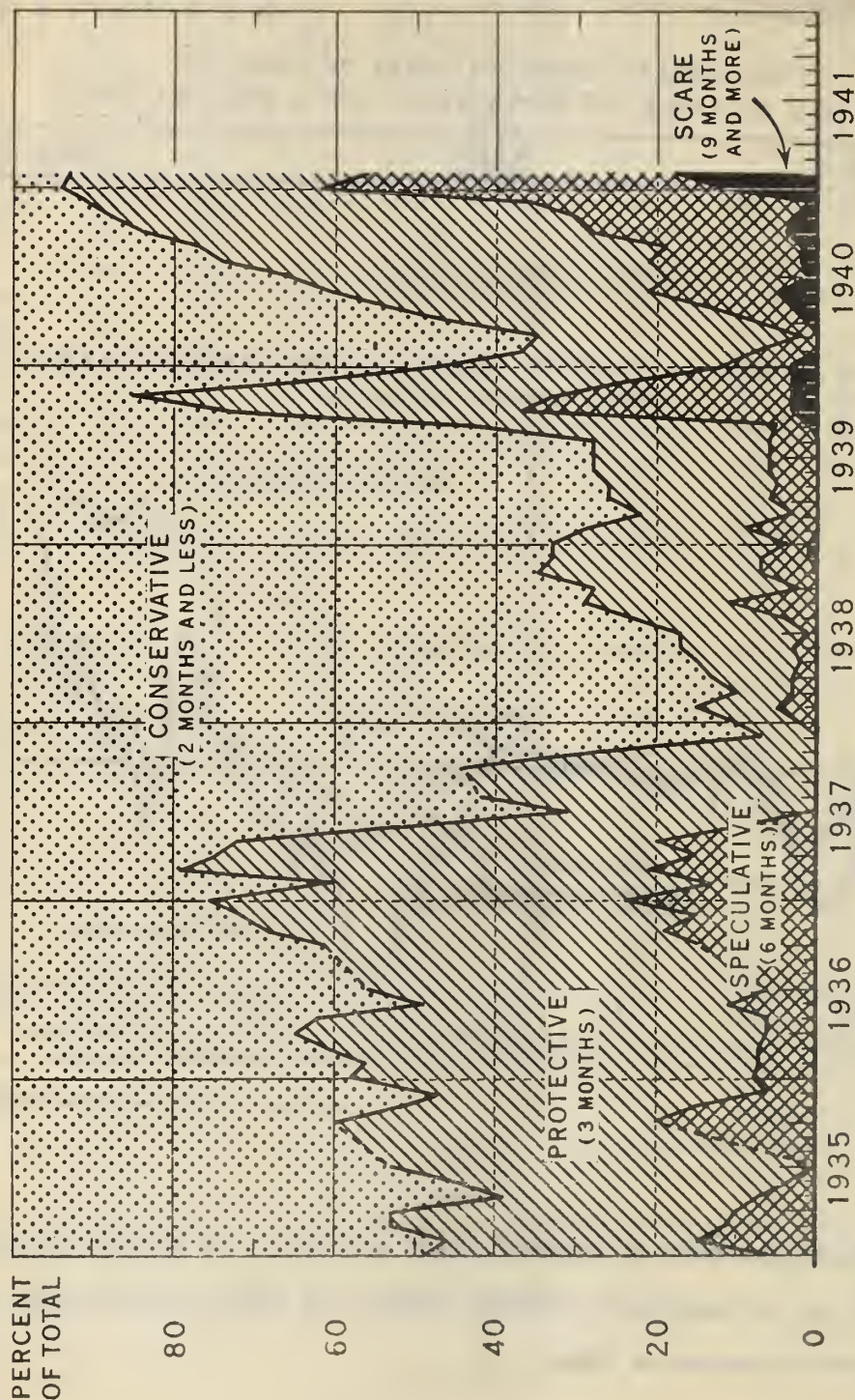
BASED ON DATA FROM BUREAU OF LABOR STATISTICS AND NATIONAL INDUSTRIAL CONFERENCE BOARD  
\* INDEX NUMBERS OF ACTUAL WAGE RATES OR EARNINGS ADJUSTED FOR CHANGES IN LIVING COSTS

U. S. DEPARTMENT OF AGRICULTURE

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PURCHASING POWER OF FACTORY WAGES IN 1941 IS AT RECORD LEVELS, CONTRIBUTING TO INCREASED CONSUMER DEMAND FOR FARM PRODUCTS OVER THE CORRESPONDING MONTHS OF 1940.

# INDUSTRIAL BUYING POLICIES IN THE DETROIT AREA, 1935-41



BASED ON DATA FROM THE DETROIT PURCHASOR.

CERTAIN MONTHS IN FIRST 3 YEARS, FOR WHICH NO DATA WERE REPORTED, SHOWN WITH BROKEN LINES

U.S. DEPARTMENT OF AGRICULTURE

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FIGURE 1.- THIS CHART, BASED ON REPORTS FROM PURCHASING AGENTS IN THE IMPORTANT DETROIT INDUSTRIAL AREA, OFFERS FURTHER EVIDENCE OF THE LARGE INCREASE IN FORWARD BUYING WHICH HAS OCCURRED IN RECENT MONTHS, AS DISCUSSED MORE FULLY IN THE MARCH ISSUE OF THIS REPORT. A FURTHER DISCUSSION OF THIS CHART WILL BE FOUND IN THE SECTION ON WHOLESALE PRICES IN THIS ISSUE.



## SUMMARY

Consumer demand for farm products will continue to improve in the remainder of 1941 under the stimulus of rising employment and consumer incomes brought about by the defense program. At the same time, exports of agricultural products also will be increased as a result of purchasing for British needs under the Lend-Lease Program. The effects of increases in prices and incomes received by farmers as a result of these changes in demand conditions will be offset to some extent by higher production costs.

The probable size of defense expenditures in the remainder of 1941 has been increased by developments of the past month. More than 11 billion dollars have been added to defense appropriations and authorizations. Estimates now indicate that the net contribution of the Federal Government to the national buying power in 1941 may be as much as 10 billion dollars, compared with 4 billion in 1940. The recent additions to defense funds point to a prolongation of the plant construction phase of the defense program, thus prolonging the effects on total industrial activity. Many defense plants now under construction will be coming into active operation during the summer. Business men are increasing rather than letting up on their forward buying of finished and semi-finished materials. The industries principally affected will continue to operate at capacity or near-capacity rates. Partly offsetting these influences may be restrictions on the output of some goods for civilian use necessitated by shortages of labor and some industrial materials.

The high level of industrial activity will add to employment and consumer incomes. Gains in wage payments are expected to continue to outstrip those in living costs. Farmers will benefit from the larger consumer purchasing power through increased consumer demand for their products.

Exports of farm products will be materially enlarged by the use of funds provided for this purpose in Lease-Lend appropriations. Exports may soon be double the low rate of recent months. Food products of high nutritive value and small bulk will be most affected. Tobacco exports also may increase considerably before the end of the year, but such important export products as cotton and wheat may be little affected.

Wholesale commodity prices have moved upward during the past month. About half of the net gain in the Bureau of Labor Statistics index of prices of 28 basic commodities from mid-February to early April was due to advances in prices of grains, cotton, and foodstuffs, which have been influenced by proposed new agricultural legislation and other Government price-supporting measures. Increases in prices of imported commodities, which are feeling the effects of higher freight rates and shortages of shipping space, also contributed largely to the general rise in wholesale prices. Other factors contributing to the rise were increased buying of industrial products due to inventory building and fears of future shortages, and greater speculative activity in some of the commodity markets.

Further strength in commodity prices is likely in view of the general economic outlook. But some of the factors contributing most to the recent sharp rise in the general level of wholesale prices will not act as continuing stimulants, and the recent rate of increase is not expected to be maintained.

Prices received by farmers in March were at the same general level as in February. Cash income from sales increased in March and was somewhat higher than in March 1940. Government payments to farmers in March were

slightly larger than those a year earlier. Additional gains in income from farm marketings are anticipated this month.

-- April 16, 1941

The situation by commodities is as follows:

- Wheat:** In early April domestic wheat prices reached the highest levels since the time of the invasion of the Low Countries on May 14, 1940, and at present are only slightly below the high point. The advance was largely influenced by the possibility that new legislation might be enacted which would increase loan rates on new crop wheat.
- Cotton:** During the month ended April 14 there was a net advance of about one-half cent per pound in domestic spot prices. Middling 15/16" in the 10 markets reached 11.22 cents per pound April 3, the highest level since mid-December 1939. One of the effects of the rising price has been the withdrawal of 700,000 bales of cotton from the 1940 loan during the past month, raising the total repossession for the season to 1.1 million bales. Domestic consumption continues at a record level and the seasonally adjusted index of cotton consumption in March was 147 percent of the 1935-39 average compared with an index of 142 last month and a record of 145 last December. Consumption continues greatly restricted in most foreign countries but in India and Canada the record high level continues. Exports during March of 97,000 bales made the total for the first two-thirds of the season 830,000 bales compared with 5.4 million bales during the corresponding 8 months last season.
- Feed grains:** Corn prices have advanced about 6 to 8 cents per bushel since early March, influenced principally by the Government purchase program and the increasing rate of business activity. Stocks of corn on April 1 were the largest on record and oat stocks were much above average. Although the acreage of feed grains in prospect for 1941 is much smaller than average, with an average growing season, supplies may be at a near-record level because of large carry-overs and increased corn yields from hybrid seed.
- Hogs:** In early April it was announced that in order to encourage increased pork production the Federal Government would support hog prices at a \$9.00 level (Chicago average) by the purchase of pork and lard in the open market. Hog prices advanced sharply following this announcement. The higher level of hog prices is expected to result in the feeding of hogs to heavier weights and the breeding of an increased number of sows for fall farrow.



- Beef cattle: As a result of 2 16-percent increase in the number of cattle on feed in the Corn Belt this April 1 over last, slaughter supplies of grain-fed cattle will be larger than a year earlier during the remainder of 1941. Most of the increase in marketings is expected in the late summer and early fall. Prices of slaughter cattle have held about steady during the past month. Cattle slaughter in the first quarter of 1941 was 5 percent larger than a year earlier.
- Lambs: The early lamb crop is developing favorably, and fairly heavy marketings of early lambs are expected from the middle of April to the middle of June. Early lambs from California and Arizona reaching mid-western markets in the first week of April sold at somewhat higher prices than a year earlier.
- Wool: Mill consumption of apparel wool in 1941 is expected to be larger than in any previous year. Large orders for wool fabrics for Army use and the high level of incomes of consumers are the important reasons for the large consumption. The prospect of a record mill consumption will be a strong supporting factor to domestic wool prices in the 1941 marketing season which has just begun. Prices in mid-March in early shearing states were 5 to 7 cents a pound higher than a year earlier.
- Dairy products: Dairy products are included in the extension of the Ever-Normal Granary Program into a food program designed to assure ample supplies of food, recently announced by the Department of Agriculture. Certain funds provided for in the lease-lend act have been designated for the purchase of foods including dairy products. These factors together with the improvement in consumer demand have strengthened prices for dairy products and indicate a considerably higher level of butter prices during the remainder of 1941 than in 1940. The improvement in demand, price-supporting measures and larger exports will more than offset the effect of larger production on prices.
- Poultry and eggs: The increase in the number of chickens raised on farms in 1941 over 1940 probably will be 10 percent or more, and a further expansion in the production of commercial broilers is in prospect. Supplies of chicken meat for the last half of 1941, therefore, are expected to be larger than a year earlier. Because of the larger consumer incomes, however, chicken prices during the remainder of this year are expected to be considerably higher than a year earlier. Egg production during the next several months may be about as large as a year earlier, but in the last few months of this year may be larger than in the corresponding months of 1940. Egg



prices during the remainder of 1941 are expected to average higher than a year earlier because of the much stronger consumer demand and Government programs designed to encourage increases in production.

- Rice: The rice outlook for 1941-42 points to: (1) a small carry-over at the beginning of the new season, (2) an increase in seeded acreage in 1941 over 1940, (3) a continuation of the larger than usual exports which developed in 1940-41, and (4) a continued high level of domestic disappearance. Rice prices have advanced to the highest level since December 1935 as the result of rapidly diminishing supplies and active domestic and foreign demand.
- Fats, oils, and oilseeds: Lard prices during the coming year probably will be strengthened by Government purchases under the new program for support and stabilization of hog prices. Lard production has been smaller so far this year than last, and is expected to continue at reduced levels until the spring of 1942. A stronger consumer demand, higher shipping costs for imported oilseeds and oils, and possible restrictions in the volume of imports also will be factors tending to strengthen prices of lard and other fats and oils. Prices of domestic oilseeds, similarly, may advance, but with abundant supplies of feedstuffs and comparatively low prices for oilseed meal, price gains for oilseeds are likely to be more moderate than for oils.
- Fruits: Production of early and second early strawberries is indicated to total 6.8 million crates this year compared with 5.1 million last year. The effects on price of the prospective increase in supplies this year over last will be at least partly offset by increased consumer purchasing power.
- Potatoes: Market prices of most varieties of potatoes (both old and new stock) advanced slightly during recent weeks as a result of improving consumer purchasing power and of reductions in the market supply. The latter were occasioned by the lateness of the harvest of the early crop and by the Government purchases of old stock for diversion to livestock feed in the West and to the manufacture of starch in Maine.
- Truck crops: Because of continued unfavorable weather market supplies of truck crops have been generally below those a year earlier, and prices in early April averaged somewhat higher than both a month and a year earlier.

#### DOMESTIC DEMAND

Prospective consumer demand for farm products in the remainder of 1941 has been further improved by passage of the 7-billion dollar appropriation implementing the lend-lease act, and subsequently a national

defense bill carrying more than 4-billion dollars in additional appropriations and authorizations. Revised estimates indicate that the net contribution of the Federal Government to national buying power in 1941 may be as much as 10 billion dollars, compared with 4 billion in 1940. Total cash expenditures of the Federal Government and its agencies may approximate 20 billion dollars this year compared with 10 billion dollars in 1940.

Even before the additional defense and lend-lease appropriations were authorized, orders placed and pending under previous defense legislation were so large as to practically assure some additional improvement this year in production, employment, and consumer income. The initial defense plant construction program now nearing completion, foreshadowed a decline in such building activity later in the year, but the new appropriations and authorizations provide for considerable additional plant facilities. This will prolong the effect on industrial production of the construction phase of the defense program.

A recent report by the Office of Production Management showed that the over-all cost of defense-plant Government financing up to the end of February amounted to more than 2 billion dollars, including plants financed by the Government, those covered by letters of intent, those covered by certificates of necessity, and those financed by the British Government. In addition, several hundred million dollars are being spent privately on defense-plant facilities without Government supervision. When the majority of these plants were started, defense appropriations and authorizations totaled only about half the present amount. Furthermore, the need for speed is being emphasized even more than formerly. Thus, it seems reasonable to anticipate an eventual increase in plant financing for defense production to two or even three times the amount indicated up to the end of February.

The new defense plants eventually may add over 15 percent to the gross book value of the country's total corporate manufacturing facilities as of 1939 or nearly 30 percent to the net book value of such facilities as of that date. These new plants are high in cost, but for some time they will be operated at capacity. This, then, may mean that between 15 and 30 percent of total factory output will be in new defense plants, and certainly that the percentage represented by total defense production (some of which is in previously existing factories) eventually will be at least this large.

Advance buying for protection against possible delays in deliveries and price advances has been a more important stimulus to productive activity since mid-1940 than has actual defense production. Recently, there appears to have been a further lengthening of business commitments (see chart on inside cover page), and it is probable that no attempt to liquidate inventories will take place so long as defense demands are growing rapidly. Nevertheless, the existence of these inventories will make possible increased production of finished goods during the next year without a corresponding increase in total industrial production. Also, increased output for defense will tend in some instances to restrict the output of goods for normal consumption. Already, serious shortages of workers are being reported in some occupations in such industries as



aircraft, metal trades, machine shops, and shipbuilding. It is expected that additional shortages will develop in numerous occupations as the defense program expands, and that some kinds of production for civilian consumption will have to give way to defense needs both for material and labor. Thus, further increases in defense production later in the year may not be accompanied by a correspondingly large increase in total industrial activity.

The real earnings of factory workers have increased sharply in recent years. Up to now the rise in wage income has represented almost a comparable rise in purchasing power. Urban living costs rose only 2.1 percent during the first 18 months following the outbreak of war in Europe. (that is, between August 1939 and February 1941). The income of factory wage earners, after adjustment for this moderate increase in living costs, was 35 percent higher in February 1941 than in August 1929 (see chart on cover page.) Even though recent advances in wholesale food prices and in textiles and other items entering into family budgets suggest that living costs may rise considerably more during the remainder of the year, gains in wage payments are expected to outstrip those in living costs since both rates of pay and hours of employment are increasing. If past relationships between the income of industrial workers and consumer demand for farm products continue, demand will continue to improve in 1941 and average substantially higher than in 1940.

Strikes may prevent a rise in the seasonally corrected index of industrial production this month, but such interference with production is likely to be temporary and should not halt the general upward trend of consumer purchasing power and demand for farm products.

#### EXPORT DEMAND

Recent developments have been favorable to a considerable enlargement of exports of agricultural products, which have been relatively small in recent months.

The most important of these developments is passage of the lease-lend legislation, under which funds have been provided for the export of agricultural products. In view of the growing needs of the United Kingdom, this legislation alone may eventually result in exports of farm products more than double the recent small volume. Although the full effects of these developments will not be immediately apparent, the decline in exports of farm products probably has been halted and some enlargement may be apparent soon.

The value of farm products exported during the 6 months ended with February 1941 totaled only 155 million dollars, compared with 489 million during the corresponding period a year earlier (the first 6 months after the outbreak of war in Europe). According to the most recent official reports, farm product exports have continued to fluctuate around the record low level to which they plunged soon after the collapse of France in June of last year.



The supplemental 7-billion dollar appropriation bill, implementing the lease-lend legislation, appropriated \$1,350,000,000 for agricultural, industrial, and other commodities and articles, the funds to remain available until June 30, 1943. No definite portion of this has been earmarked for agricultural products. The British food needs include canned meats, cured pork and lard, dried and evaporated milk and cheese, eggs, dried beans, dried fruits, citrus fruit and tomato juices and starches. There may be some replenishing of dwindling tobacco stocks and shifting back from Turkish to American types of tobacco by the British.

Canada will be able to supply British needs for wheat for a long time to come. Considerable cotton bartered to the British for rubber has not yet been shipped and British mill operations are on a severely curtailed basis. These conditions, together with the shortage of shipping and acute needs for other products, indicate that cotton and wheat exports may not be affected much by the lease-lend act, at least not in the near future.

Although the export outlook for farm products has improved considerably in recent weeks, the expected increases will be confined largely to the United Kingdom. The latter country will continue to obtain supplies from other surplus-producing nations. Continental European and Far East markets are largely closed to imports of farm products and Latin America already is taking about as much of United States farm products as can be expected. Even a large percentage increase in exports to Britain would not be a very great factor in the total demand for many agricultural commodities produced in this country. If the shipping situation becomes worse we must be prepared to play a larger role as supplier of food to Great Britain, but domestic demand will continue to be the dominant factor influencing prices and returns to growers in the United States.

#### WHOLESALE PRICES

During the past 2 months wholesale commodity prices have advanced almost without interruption. The gain during this 2-month period has been about twice as large as for any similar length of time since September 1939. The recent advance has carried the various general wholesale price indexes of the Bureau of Labor Statistics - monthly, weekly, and daily - to even higher levels than were reached in the upsurge of September 1939, immediately following the outbreak of war in Europe.

This increase in wholesale prices reflects many influences now working toward a higher general level of prices. As indicated in previous issues of this report, a substantial increase in prices in 1941 is likely in view of the general economic situation. The recent sharp advances, however, should not be taken for granted as the forerunner of a continuous and marked inflationary rise of prices.

The daily index of prices of 28 basic commodities of the Bureau of Labor Statistics is much more sensitive than the monthly and weekly wholesale price series of that Bureau comprising a much larger number of commodities. It includes many commodities traded on the futures exchanges, and

which serve as raw materials going into different kinds of finished products. This index, therefore, would be expected to reflect inflationary tendencies more quickly and markedly than the more inclusive measures of prices. At the same time, it can also be substantially influenced over short periods of time by conditions which may not have a marked effect upon the broader measures of prices.

The sharp increase in sensitive index numbers of wholesale prices in recent weeks directly reflects four principal factors: (1) higher prices for imported commodities, (2) higher prices for farm products affected by possible changes in agricultural legislation and other price-supporting measures, (3) increased buying of industrial products due to inventory building and fears of future shortages, (4) greater speculative activity on some of the commodity futures markets.

About 40 percent of the rise in the Bureau of Labor Statistics daily index of basic commodity prices since February 18 is due to the increase in prices of imported commodities. This rise was partly due to increased shortages of shipping space and higher ocean freight rates, but also reflects speculative purchasing against possible future acute shortages if the area of hostilities should spread. Although freight rates may rise further, and actual shortages of some imported materials may develop, supplies of many of these products at points of origin are plentiful. In the absence of unfavorable international developments in the Pacific it is not likely that prices of this group of commodities will continue to rise at anything like the rate witnessed in recent weeks.

General expectations on the part of the trade that loan rates on a number of agricultural commodities would be increased, together with probably expanded demand for lard and other food items as a result of passage of the lend-lease act, have resulted in sharp increases in prices of a number of farm products which are important in sensitive index numbers of wholesale prices. Of the net rise in the Bureau of Labor Statistics daily index of 28 basic commodity prices since February 18, about half is due to increases in prices of grains, cotton and foodstuffs. It should be noted that once prices have been adjusted to take into account such changes in the agricultural programs and Government purchases, the sharp upward pressure of these influences will disappear or greatly lessen. In fact, further rises in prices of some of these items, especially those influenced by the loan and other price programs, will be less probable after the adjustments than before, because such prices will be supported at levels higher in some cases than would result from competitive supply and demand conditions.

Despite the large inventory building which took place during the last half of 1940, as discussed in the March issue of the Demand and Price Situation, there is a disposition on the part of many industrial buyers to lengthen still further their commitments (see chart on inside cover page). This, together with increasing demands of the defense and lend-lease programs, is an important strengthening influence in the commodity markets. With defense demands growing there is little probability of any general liquidation of inventories as long as the program is in active operation.



The desire to protect against possible future price increases or shortages of goods has begun to affect prices of more commodities, including textiles. The extent to which this may lead to additional price increases will depend considerably upon the success of the Government's efforts to prevent industrial price rises. The new Office of Price Administration and Civilian Supply has been formed to facilitate these efforts. In some cases the attainment of actual capacity operations and the application of voluntary or involuntary priorities will tend to limit the effects on prices of attempted inventory building, since buyers may find it impossible to obtain more goods by bidding up prices.

Speculative activity in a number of commodity futures markets has increased considerably in recent weeks. This has contributed to price rises for some commodities. Waves of speculative buying can have a material influence on the general level of prices over rather short periods of time, but sooner or later price changes must respond to more fundamental supply and demand conditions. Speculative price increases will hold only if the available goods continue to move into consuming channels at the higher level of prices or sufficient financial support is available to result in holding off the market any quantities which cannot be disposed of at prevailing prices. The more perishable the commodity, the less likely are unjustified speculative increases to hold. A number of the speculative price advances which have occurred in recent weeks no doubt merely anticipate changes in so-called fundamental supply and demand factors which are likely to occur as the defense program progresses and which have been in reasonable prospect for some time.

This appraisal of the factors associated with recent sharp advances in wholesale prices indicates that many of them are not of a continuing nature, and hence that the recent rate of increase will not be maintained. The chances of a rise of prices of really inflationary proportions are little different now than before these recent increases. The longer-term trend of prices will continue to depend largely on the effectiveness of industrial price controls inaugurated under the defense program, the balancing of consumer purchasing power and goods and services available for its utilization, and wage and other policies affecting costs of production.

#### PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers rose in April to the highest level since the outbreak of war in Europe, according to preliminary estimates based on price changes in wholesale markets. The general index of farm prices is now about 8 percent higher than in April 1940 and 19 percent higher than in April 1939, but is around 18 percent lower than in the spring of 1937.

The April advance in prices was due in large part to: (1) announcement of price-supporting measures designed to encourage increased production of hogs, dairy and poultry products so as to assure ample supplies for expected increases in both domestic demand and exports; (2) trade expectations that loan rates on some of the five basic farm commodities - cotton, wheat, corn, tobacco and rice - will be increased; (3) passage of lend-lease appropriations, a part of which are to be used for purchase of farm products; and (4) increasing consumer buying power.



The indexes of prices received and prices paid by farmers in March were the same as in February and the ratio of the former to the latter remained at 84 percent of the 1910-14 average. This represented a 4-point gain compared with the ratio a year earlier. In April the ratio probably rose around 2 points to the highest level since 1937 and to about 6 points above April 1940.

#### FARM INCOME

Cash income from farm marketings in March was larger than in February and was somewhat larger than in March last year. Government payments in March of 71 million dollars also were larger than a year earlier but were less than in February.

Marketings of livestock and livestock products in March were slightly larger than a year earlier and prices were higher, so there was a substantial increase in cash income from livestock with meat animals showing the largest gain. Income from crops in March continued smaller than a year earlier but made about the usual seasonal change from February in contrast to the marked decline which occurred from February to March last year.

Prices of several farm products have advanced substantially since mid-March. This is expected to result in further improvement in income from farm marketings. The recent advances in wheat and cotton prices are being accompanied by redemptions of loans of these products, adding further to farm income, but the advance in corn and livestock product prices has resulted in relatively small amounts of corn being placed under loan. Government payments in April are likely to be somewhat smaller than in March and may be smaller than in April last year, but total cash farm income will be somewhat larger than a year earlier.

#### COTTON

The price of Middling 15/16" cotton in the ten markets rose substantially during the past month and on April 14 was 11.22 cents. This not only established a new high for the season but was also higher than at any time since mid-December 1939. Prices on that date were 54 points higher than a month earlier and 60 points above the price on April 15, 1940. A considerable part of the price rise during the month is attributed to anticipation by the trade of higher loan rates on the 1941 crop. Up to April 11, 1.1 million bales of 1940 loan cotton had been repossessed, of which about 700,000 bales had been repossessed during the past month.

Domestic consumption of cotton during March totaled 854,179 bales, a gain of 61,000 bales over February and 227,000 over March 1940 and 11,000 bales above the previous record established in January of this year. The seasonally adjusted index of cotton consumption was 147 percent of the 1935-39 average in March compared with 142 in February and 108 in March 1940, and exceeds by 2 points the previous record established last December. During the first part of April sales of unfinished textiles declined somewhat from the previous high level. However, this was due to difficulties in arranging satisfactory delivery dates rather than to a lack of buyer interest. Further gains in textile prices during the month reflect

anticipated wage advances, a relative shortage of goods available for nearby delivery, higher raw cotton prices and the generally favorable outlook for business activity in the months immediately ahead. Gross manufacturers' margins on 17 constructions of unfinished textiles widened to 18.17 cents per pound in March compared with 16.00 cents in February, 14.94 cents in January, and 11.59 cents in March 1940.

Military purchases and a high level of domestic civilian consumption contribute to the record high level of cotton consumption in India and Canada. However, the European and Asiatic wars and the resulting shipping and exchange difficulties, and the demands of other lines of production on power and labor supplies, have resulted in reduced cotton consumption in most foreign countries. In addition to this generally lower level of cotton consumption, the price of American cotton has been such that the lower priced foreign cottons are supplying a much larger portion of foreign requirements than formerly, thereby further limiting the consumption of American cotton.

Two-thirds of the season is now past and exports through March totaled only 830,000 bales compared with 5.4 million bales during the corresponding period last season. In fact, there were 2 separate months last season when exports exceeded the total for the 8 months just ended. During March exports totaled 97,292 bales of which Canada received 23,000 bales, Sweden 21,000, China 16,000 and French Indo China 15,000 bales. The remaining 22,000 bales were distributed among seven other countries.

#### WHEAT

During the past month domestic wheat prices continued the advance which started on March 7, and on April 5 reached the highest levels since the time of the invasion of the Low Countries May 14, 1940. The price of No. 2 Hard Winter wheat at Kansas City at 88-1/2 cents on April 14 was about 10 cents higher than on March 6, 4-1/2 cents higher than at the middle of March, and only fractionally lower than the high for the season on April 5. The advance was largely influenced by the possibility that new legislation might be enacted which would increase loan rates on new crop wheat.

The amount that current prices are now above the export price levels is indicated by the export indemnity which would be required to export wheat to Europe. Computed on the basis of export values, this would be about 28 cents from the Gulf and 23 cents from Pacific ports, which compares with 25 and 22 cents, respectively, a month ago. Prices of domestic spring wheat at Buffalo are about 12 cents lower than those of Canadian wheat of a comparable quality, c.i.f., duty paid, at Buffalo, as compared with 16 cents a month ago.

If the winter wheat crop turns out to be about 616 million bushels as indicated on the basis of April 1 condition, and if spring wheat acreage should turn out to be about as indicated by prospective plantings reports and yields per acre should be about average, the new crop would total about 800 million bushels. With a carry-over of about 380 million bushels, total supplies would approximate 1,200 million bushels. The total in 1940-41 was 1,099 million bushels, consisting of a carry-over of 282 million bushels and a crop of 817 million bushels.



Prospects at present are for a world wheat crop in 1941 not greatly different from that in 1940. Much, however, will depend upon developments in Canada, where a new Government program calls for a large reduction in this year's wheat crop. On the other hand, some increase is expected in Europe and Australia over last year's small outturns. Little change is expected in Argentina.

### RICE

The rice outlook for 1941-42 points to: (1) An increase in seeded acreage in 1941 over 1940, (2) a continued high level of domestic disappearance, (3) a continuation of the larger-than-usual exports which developed in 1940-41, and (4) a small carry-over at the beginning of the new season.

A rice acreage of 1,154,000 acres for the four rice-producing States was indicated by reports from growers regarding their acreage plans. Except for 1920, when the total was 1,299,000 acres, this is the largest acreage in the history of the United States, and 64,000 acres or 6 percent larger than the acreage seeded a year ago. Domestic rice prices are now at the highest level since December 1935. The advance during the current season has resulted from rapidly diminishing supplies and active domestic and foreign demand. Undoubtedly, the increase in prospective acreage was influenced by the higher level of prices.

April 1 supplies of southern rough rice apparently totaled about 2.5 million barrels, which would be approximately 1 million barrels less than a year earlier. Stocks of rough rice in California, totaled about 2.9 million bags, which were about 400,000 bags smaller than a year earlier. April 1 supplies of rice in the Southern States including mill stocks of milled rice totaled approximately 4.3 million pockets in terms of milled rice compared with 5.4 million pockets April 1, 1940. April 1 supplies of rice in California in terms of milled head rice totaled approximately 1.6 million bags or pockets compared with 1.9 million bags April 1, 1940. Shipments of California head rice from mills October-March were 1.0 million bags, compared with 587,000 bags for the corresponding months last year. This makes a total United States distribution including exports for the season to date, of about 10.9 million pockets.

Distribution data suggest a domestic disappearance to April 1 of approximately 6.9 million pockets, or about 1.7 million pockets more than for the corresponding period last year. With increased industrial employment and pay rolls in prospect in 1941-42, domestic demand is expected to continue strong or to expand further in the new marketing year. The demand for American rice by Cuba is large this year on account of decreased competition from oriental rice in this market, and prospects are that this increased demand will continue in 1941-42.

Remaining combined supplies of southern and California rice April 1 were but little larger than distribution from April through the remainder of the marketing year in 1939-40. This indicates that the carry-over of old rice at the time of the new crop may be very small.



## FATS, OILS, AND OILSEEDS

Lard prices during the coming year probably will be strengthened by Government purchases of hogs and livestock products to bring about increased production. Lard production so far this year has been considerably smaller than a year earlier, and is expected to continue at reduced levels until the spring of 1942. As a reflection of this situation, and of probable purchases of lard for export to Great Britain under the Lend-Lease legislation, prices of lard and competing fats and oils have advanced fairly sharply since late February. During the past 2 years, lard prices have been abnormally low in relation to prices of competing products. For the coming year, advances in lard prices may be more pronounced than in the case of such competing products.

Other factors which will tend to strengthen prices of lard and other fats and oils during the next several months include: (1) A stronger consumer demand resulting from increased industrial activity, particularly in the second half of 1941; (2) higher ocean shipping costs for imported oilseeds and oils; and (3) possible restrictions in the volume of imports as a result of reduction in shipping space. Continued weakness in the effective foreign demand for fats and oils resulting from the blockade of much of western Europe, however, will be a restraining factor on prices in surplus-producing areas and in this country.

Prices of domestic oilseeds probably will reflect any sustained rise in prices of vegetable oils. But with abundant supplies of feedstuffs available, and with prices of domestic oilcake meals at comparatively low levels, price gains for oilseeds are likely to be more moderate than for oils.

The general level of prices of fats and oils in March was 6 percent higher than a month earlier and 11 percent higher than a year earlier, but was 28 percent below the 1924-29 average. Prices of domestic oilseeds also advanced in March, but continued below last year's levels.

## CORN AND OTHER FEED GRAINS

The new Government purchase program affecting hogs and livestock products, the possibility of new commodity loan legislation, and continued improvement in business activity now appear to be the most important factors influencing feed grain prices. Another phase of the Government purchase program, however, provided that marketing quotas would not be effective on 1941 corn.

The price of corn advanced about 6 or 8 cents per bushel during the past month, while prices of oats and barley advanced slightly. The price of No. 3 Yellow corn at Chicago for the week ended April 5 was 9 cents per bushel higher than in the corresponding week of 1940, but oats and barley prices were a little lower, reflecting larger supplies of these grains.

Prospects continue for a record carry-over of corn. April 1 stocks (farm, commercial, and Government-held), were the largest on record, totaling 1,423 million bushels, compared with 1,402 million bushels last year and a 1929-33 average of 874 million bushels. Of the total stocks on April 1, about 295 million bushels were sealed on farms and 231 million bushels were held by the Government in steel bins, and country and terminal elevators. This left about 900 million bushels of unsealed corn, which compares with about 835 million bushels last year.

Disappearance of corn during January-March was about 10 percent smaller than the disappearance during this period last year. Although the recent program announced by the Department of Agriculture relating to purchases of hogs and livestock products may tend to increase corn consumption during the remainder of the marketing year, the amount of the increase will be limited by the reduced number of hogs to be fed. No substantial increase can be expected through this program until hog numbers can be increased. If the disappearance of corn during the remainder of the marketing year continues around 10 percent smaller than for the corresponding period last year, the carry-over of corn next October 1 would be about 775 million bushels.

Disappearance of oats for January-March was the second largest in 15 years, but stocks on April 1 were still large, amounting to 474 million bushels - the third largest during this same period. The carry-over of oats will probably exceed 200 million bushels.

The combined acreage of four feed grains planted in 1941 will be slightly smaller than the 1940 planted acreage and about 11 percent below the 1928-32 average, if farmers carry out their March 1 intentions. With an average growing season and allowing for an increased yield from hybrid corn, total production of feed grains would probably approximate 95 million tons, or about 4 million tons less than the production last year and about 5 million tons less than the 1928-32 average. Large carry-overs of all feed grains are in prospect, however, and with a near-average season total supplies may again be near a record level. With an increased acreage of hay and a large acreage of oilseed crops in prospect, supplies of hay and high protein feeds may be large in 1941-42, but probably smaller than for 1940-41.

Latest information on the Argentine corn crop indicates that the production will be 417 million bushels, which would be the second largest crop since 1927. The exportable surplus carried over on April 1 was estimated at about 200 million bushels, making a total supply of corn available for export during 1941-42 over 500 million bushels, or much larger than for any of the past 15 years for which comparable data are available.

#### HOGS

In early April the Department of Agriculture announced that it would take steps to stimulate the production of pork and certain other products over a period ending June 30, 1943. The increased production is desired in order to meet requirements for exports under lend-lease legislation and to supply increasing needs of domestic consumers whose purchasing power has been stimulated by the defense program. The increase in production is to be encouraged by the support of hog prices at a long-term level of around \$9.00 per 100 pounds, based on the average price of all hogs at Chicago. This support to hog prices will be accomplished through the purchasing of hog products in the open market by the Department of Agriculture. In making such purchases consideration will be given to seasonal variations in prices and changing price relationships. The program, therefore, does not provide for a fixed price of hogs. In addition to providing supplies for shipment to foreign countries under the provisions of the Lend-Lease Act, Government purchases of pork and



lard will be used for release upon the market in case of unwarranted speculative price increases and for distribution in the United States through the established school lunch programs or State welfare departments.

Hog prices advanced sharply in early April, following the announcement of this program. The average price of all hogs at Chicago for the week ended April 12 was \$8.60, compared with the level of about \$7.70 that prevailed during March. Lard was purchased by the Federal Government in March; and since April 3, when the program was announced, purchases of both pork and lard have been made.

After a sharp advance in December and January the hog-corn price ratio declined steadily during February and March. In late March the ratio had fallen to a little below the long-time average of 11.6 (Chicago prices), but it has again advanced as a result of the recent rise in hog prices. Corn prices are not expected to change much in the next few months, and with hog prices supported at around a \$9.00 level the hog-corn price ratio will continue favorable for hog production. This is expected to encourage a material increase in the number of sows bred for fall farrow during the next few months. Pigs farrowed this fall will not be ready for market until the spring and summer of 1942, but the favorable hog-corn price ratio will encourage farmers to feed hogs to heavier weights during the next few months.

Hog marketings increased slightly in March. Inspected slaughter for the month totaled 3,904,000 head, 5 percent more than in February and 2 percent less than in March last year. In the first quarter (October-December) of the 1940-41 marketing year inspected hog slaughter totaled 21 percent more than a year earlier. In the second quarter (January-March) it was about 12 percent smaller than a year earlier. Slaughter supplies of hogs during the last half of the marketing year (April-September) are expected to total around 15 percent smaller than in the corresponding period last year.

#### CATTLE

The number of cattle on feed in the Corn Belt States on April 1 was 16 percent larger this year than last. This increase in feeding operations will result in somewhat larger marketings of grain-fed cattle during the next 2 or 3 months than a year earlier, but most of the increase in market supplies over corresponding months of 1940 is expected to take place in the late summer and early fall. Feeder calves constituted a larger proportion of all cattle on feed this season than last. The effect of larger supplies upon prices of slaughter cattle is expected to be more than offset by continued improvement in consumer demand conditions and Government support to hog prices. Shipments of feeder cattle into the Corn Belt during the first 3 months of 1941 were much larger than a year earlier and of record proportions, although prices of feeder cattle were materially higher during January-March than a year earlier.

Prices of slaughter cattle held steady to slightly higher during the past month at a level \$1.00 to \$2.00 above a year earlier. The average price



of good grade beef steers at Chicago for the week ended April 12 was \$11.30, compared with \$11.10 in early March and \$9.95 in the corresponding week a year earlier. The spread between prices of the upper and lower grades of slaughter cattle has narrowed considerably since early January, and it is now about the same as in early April last year.

Marketings of slaughter cattle and calves increased seasonally in March. Slaughter of cattle under Federal inspection during the month totaled 766,000 head, 7 percent more than in February and 6 percent more than in March last year. Inspected cattle slaughter in the first 3 months of 1941 totaled about 5 percent greater than in the corresponding months of 1940. Inspected calf slaughter of 444,000 head in March was 16 percent greater than in February but only 1 percent greater than in March 1940. Calf slaughter in the first 3 months of this year was little different from that a year earlier.

#### LAMBS

Although weather and feed conditions were not so favorable in March as in January and February, development of the early lamb crop continued above average. Fairly heavy marketings of early lambs of above average quality from the middle of April to the middle of June are expected. Marketings of grass fat yearlings from Texas will get under way in volume by late April. Sheep have wintered well in the Western States and prospects are favorable for the late lamb crop. The number of stock sheep on farms and ranches on January 1 was a little larger this year than last, and if weather conditions continue favorable the 1941 lamb crop may be a little larger than the record 1940 crop. The lamb crop, however, has not fluctuated greatly during the past 10 years. Lamb prices will be supported by considerably stronger consumer demand for meat and substantially higher wool prices during the 1941 spring lamb marketing season (May-November) than a year earlier.

Lamb prices strengthened moderately during March, but weakened a little in early April. The average price of good and choice grade fed woolled lambs at Chicago for the week ended April 12 was \$10.95, the same as a month earlier but about 50 cents higher than a year earlier. Market prices of sheep have advanced sharply in recent months. The average price of good and choice grade slaughter ewes at Chicago for the week ended April 12 was \$7.00, \$2.00 higher than a year earlier. Early lambs from California and Arizona began to reach midwestern markets during early April. For the week ended April 12 the average price of good and choice spring lambs at Kansas City was \$11.45, compared with \$10.45 in the corresponding week of 1940.

Inspected slaughter of sheep and lambs totaled 1,408,000 head in March, 1 percent more than in February and 11 percent more than in March last year. Slaughter of sheep and lambs in the first 3 months of 1941 totaled 6 percent greater than a year earlier.

#### WOOL

Mill consumption of apparel wool in the United States in 1941 is expected to be considerably greater than in 1940 and larger than in any previous

year. Large orders for wool fabrics for Army use and the high level of incomes of consumers are the important reasons for the large consumption. The weekly rate of consumption of apparel wool, scoured basis, in February was the highest in the 23 years of record.

The prospect of a record mill consumption will be a strong supporting factor to domestic wool prices in the 1941 marketing season. Quotations on new clip domestic wools for near-future delivery at Boston appeared to be about equal to spot prices of old clip wools as the new season got under way about April 1. Prices at Boston have been quite steady in recent months and are equal to, or only slightly below, the highest prices of the season established in October and November. Prices in mid-March in early shearing States were 5 to 7 cents a pound higher than a year earlier.

Imports of apparel wool for consumption totaled 106.5 million pounds in the first 2 months of 1941 compared with 45.1 million pounds imported in the same months last year. Imports in the early months of this year were larger than at any time since 1921. The large imports were stimulated by relatively small supplies of domestic wool, and the need for large quantities of raw wool to complete Army orders.

In recent months the spread between prices of domestic and foreign wool has been reduced. South American supplies of fine wools suitable for United States purchase are clearing rapidly. With the new domestic clip now becoming available, United States imports are likely to decline in the late spring and summer.

Supplies of wool in South Africa and Australia probably are relatively large. But the growing shortage of shipping space and advancing freight rates will tend to restrict exports from those countries.

#### DAIRY PRODUCTS

In early April the Department of Agriculture announced an extension of the Ever-Normal Granary Program into a food program designed to insure ample supplies of food for domestic consumption and export. Dairy products are included in the expanded program. The announcement indicated that the Department would buy dairy products on the open market to support long term prices of butter that are higher than the average of recent years.

Certain funds provided for in the Lend-Lease Act have been designated for the purchase of foods, including dairy products. It seems quite probable that our exports of dairy products will be greatly increased. Concentrated milks and cheese rather than butter probably will be the principal items exported.

The outlook for further improvement in consumer demand, and increased exports of dairy products, make it seem probable that butter prices during the remainder of the year will average decidedly higher than in 1940 and the highest since 1937.

Production of butter is unusually high and a large volume of production during the coming summer is in prospect unless the weather should be unfavorable. Total milk production has been considerably larger than a year ago, and



even though there has been an increased consumption of fluid milk and cream in cities and villages, there has also been an increase in output of manufactured dairy products. The large number of cows on farms and liberal feeding have resulted in large production.

#### POULTRY AND EGGS

Efforts are now being made by the Department of Agriculture to stimulate the production of eggs and chickens over a period ending June 30, 1943. The increased production is being encouraged so as to provide for any exports under the provisions of the lend-lease legislation while maintaining about normal levels of per capita consumption in the United States. Production will be encouraged primarily by supporting egg prices. By purchasing eggs in the open market the Government will support egg prices at a level such that the wholesale price at Chicago for the period from now until June 30, 1943 will average 22 cents per dozen. In determining monthly prices, consideration will be given to the normal seasonal variation and also to relative prices for feed. The announced price of 15 cents for chickens probably will have little immediate effect since chicken prices at Chicago now are several cents above that level.

With the recent advance in egg prices, the feed-egg ratio became much more favorable than a year earlier. As a result the increase in the number of chickens raised on farms in 1941 over 1940 probably will be 10 percent or more. In addition a further expansion in the production of commercial broilers is in prospect; such production in the first 3 months of this year appears to have been the largest on record for the period. Supplies of chicken meat for the last half of 1941, therefore, are expected to be larger than a year earlier. However, chicken prices during the remainder of this year are expected to be higher than a year earlier and higher than the 1930-39 average.

The 4 to 5 cent advance in wholesale egg prices from mid-March to early April is attributed in part to stronger consumer demand. Egg prices during the remainder of 1941 are expected to be above those of a year earlier primarily because of the larger consumer incomes this year than last and the policy of the Government to support egg prices by direct purchase in an effort to further increase the number of chickens raised on farms. With a continued favorable feed-egg ratio, and particularly with relatively low prices for high protein feeds, the rate of lay per hen probably will continue well above average. Thus total egg production during the next few months may continue larger than a year earlier even though the number of layers now on farms is slightly smaller than a year ago. Continued higher egg prices also would tend to reduce the rate of decline in numbers of layers on farms from now until August. The number of layers on farms by the end of this year may be several percent larger than a year earlier since in the past each 5 percent increase in the number of chickens raised on farms has been followed by an increase of 2 to 3 percent in the number of layers on farms the following January 1.

Supplies of turkey meat for 1941 may be about the same as in 1940, since with normal weather conditions the death loss may be enough less this year than last to offset the 3 percent fewer poults farmers indicated they



would start in 1941 compared to 1940. Because of the larger consumer incomes for this year than last, prices received by farmers for turkeys are expected to average higher than in 1940.

#### POTATOES

Market prices of most varieties of potatoes (both old and new stock) advanced slightly during recent weeks as a result of improving consumer purchasing power and of reductions in the market supply occasioned by the lateness of the harvest of the early crop and by the Government purchases of old stock for diversion to livestock feed in the West and the manufacture of starch in Maine. Prices in early April, however, were materially below those of a year earlier because of larger supplies.

The harvest of the new crop of potatoes in south Florida probably will be completed by the middle of April. The north Florida crop is in generally good condition but is about 2 weeks later than usual. Shipments from Texas are starting. Production in these two areas is indicated to total 2.9 million bushels this season compared with 3.7 million bushels in 1940. The smaller crop this season is due entirely to the sharp reduction in the prospective yield per acre in Florida. It is indicated, therefore, that supplies of new potatoes will continue to be scarce until late April.

Crop prospects in the other early States are good but the season is generally late. It is probable that market supplies coming from these areas will be fairly heavy in May.

Government purchases of old crop potatoes in the Western States for diversion to livestock feed continued during recent weeks, and to April 11 a total of 3.3 million bushels had been removed from the available market supply. Authorizations for diversions include a total of 6.8 million bushels. In Maine a total of 6.3 million bushels of potatoes have been purchased for diversion to the manufacture of starch this season. These purchases occurring largely since February have reduced the supply available, and have helped to strengthen market prices.

#### TRUCK CROPS

Because of continued unfavorable weather market supplies of truck crops have been generally below those of a year earlier, and prices in early April averaged somewhat higher than both a month and a year earlier. A few weeks of favorable growing conditions, however, would result in substantial increases in market supplies, and prices would turn downward. Supplies during May are expected to be fairly liberal.

In the Gulf States and in the areas immediately northward spring and early truck crops are 2 weeks or more later than usual this season, but in the Pacific Northwest growing conditions have been excellent during recent weeks and the season is well advanced. Recent reports indicate larger crops than a year earlier for early lima beans, second early beets, second early cabbage, and celery, and early onions, but smaller crops of early (2) snap beans and second early carrots, green peas and spinach.

In general somewhat larger acreages of most spring truck crops have been planted this season but unfavorable weather has reduced yields and in some instances caused complete crop failure. Considerable replanting of lost acreages have been made in some cases but this has resulted in a late harvest. This situation may result in a heavy concentration of marketings during the next 2 months with some items being in a surplus supply position. For this reason it is probable that, with favorable weather, market prices of truck crops in general will trend downward during the next few months. They may continue to average slightly higher than a year earlier, however, since consumer purchasing power is much improved over that of last season.

#### FRUITS

Production of early strawberries is indicated to total 2.5 million crates compared with 2 million last year. The major portion of this production will be marketed from the middle of April to the middle of May. Production of second early strawberries, which are normally marketed during May, is estimated to total 4.3 million crates compared with 3.1 million in 1940. Production in the early and second early States this year is anticipated to be greater than a year ago because of increased acreage and higher prospective yields. The effects on price of the prospective increase in supplies this year over last will be at least partly offset by increased consumer purchasing power.

Sales of apples in domestic markets in March were approximately 700,000 bushels (about 15 percent) larger than in the same month last year. Despite these heavier domestic marketings, apple prices in March were, in general, slightly higher than a year ago. These higher prices are largely the result of larger consumer incomes this year. There will be approximately 2 million more bushels of apples to be marketed this year between April and the end of the season than there were last year in the same period.

Production of oranges in 1940-41 is now estimated to total 80.6 million boxes, a decrease of 1.7 million boxes from the estimate made a month ago. In 1939-40, 75.6 million boxes of oranges were produced. Grapefruit production is estimated to total 40.0 million boxes compared with 35.2 million last year.

Auction prices of Florida and California oranges at New York were from 13 to 46 cents higher in March this year than last. Prices of Florida and Texas grapefruit in March averaged less than those of March 1940.



# ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED BASE PERIOD = 100

YEAR AND MONTH	INDUS- TRIAL PRO- DUCTION <sup>1</sup>	CON- STRUC- TION CON- TRACTS AWARDED <sup>1</sup>	FACTORY EMPLOY- MENT <sup>2</sup>	FAC- TORY PAY- ROLLS <sup>2</sup>	INCOME OF IN- DUSTRIAL WORKERS <sup>3</sup>	VOLUME OF AGRICULTURAL EXPORTS <sup>4</sup>	WHOLE- SALE PRICES OF ALL COMMOD- ITIES <sup>5</sup>	RETAIL FOOD PRICES <sup>6</sup>	PRICES RE- CEIVED BY FARMERS <sup>7</sup>	PRICES PAID BY FARM- ERS	RATIO OF PRICES RECEIVED TO PRICES PAID	CASH INCOME FROM FARM MAR- KETINGS <sup>8</sup>
Base Period	1935-39	1923-25	1923-25	1923-25	1924-29	1910-14	1910-14	1913	1910-14	1910-14	1910-14	1924-29
1929	110	117	106	110	107	107	130	166	146	153	95	104
1930	91	92	92	89	88	82	126	158	126	145	87	88
1931	75	63	78	68	67	88	107	130	87	124	70	58
1932	58	28	66	47	46	94	95	108	65	107	61	44
1933	69	25	73	50	48	85	96	105	70	109	64	49
1934	75	32	86	64	61	66	109	117	90	123	73	58
1935	87	37	91	74	69	61	117	126	108	125	86	65
1936	103	55	99	86	80	55	118	127	114	124	92	76
1937	113	59	109	102	94	65	126	132	121	130	93	82
1938	88	64	91	78	73	75	115	122	95	122	78	71
1939	108	72	100	92	83	65	113	119	93	121	77	73
1940	122	82	108	105	94	50	115	121	98	123	80	78
1940-												
Mar.	113	62	104	97	87	68	114	120	97	123	79	76
Apr.	111	64	103	96	86	61	115	120	98	123	80	82
May	115	64	103	97	87	47	114	121	98	123	80	80
June	121	74	104	99	89	44	113	123	95	123	77	70
July	121	85	105	102	91	47	113	122	95	122	78	71
Aug.	121	90	107	106	95	32	113	121	96	122	79	71
Sept.	125	93	109	111	98	22	114	122	97	122	80	76
Oct.	129	95	111	114	100	27	115	120	99	122	81	80
Nov.	132	111	114	118	103	22	116	120	99	122	81	79
Dec.	138	115	117	123	107	20	117	122	101	123	82	85
1941-												
Jan.	139	103	118	126	109	17	118	122	104	123	85	86
Feb. <sup>9</sup>	141	88	118	126	110	23	118	123	103	123	84	84
Mar. <sup>9</sup>							119	123	103	123	84	

<sup>1</sup>Federal Reserve Board, adjusted for seasonal variation.

<sup>2</sup>Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and payrolls by Bureau of Agricultural Economics). Revised January 1941.

<sup>3</sup>Adjusted for seasonal variation. Includes factory, railroad, and mining employees.

<sup>4</sup>Foreign Agricultural Relations, July 1909 - June 1914 = 100, adjusted for seasonal variation.

<sup>5</sup>Bureau of Labor Statistics, 1926 = 100, converted to 1910 - 14 = 100.

<sup>6</sup>Bureau of Labor Statistics, 1935 - 39 = 100, converted to 1913 = 100.

<sup>7</sup>August 1909 - July 1914 = 100.

<sup>8</sup>Adjusted for seasonal variation.

<sup>9</sup>Preliminary.

*Note:* In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and payrolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.